DURHAM REGION

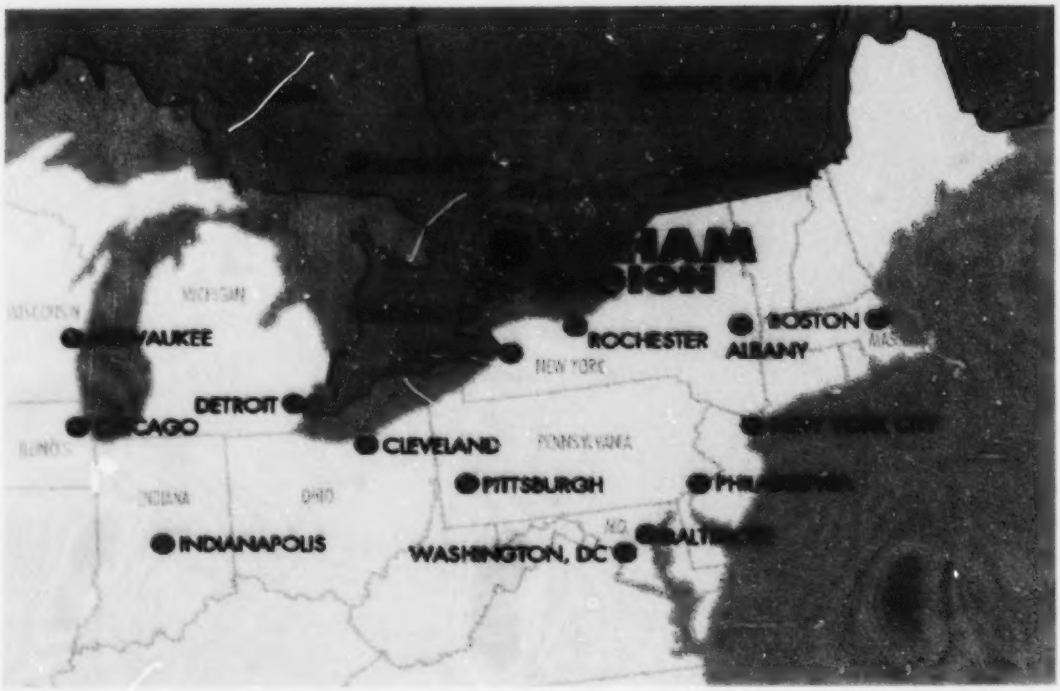
THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

ANNUAL REPORT

For the Year Ended December 31, 1999

Welcome to
The Regional Municipality of Durham

www.region.durham.on.ca



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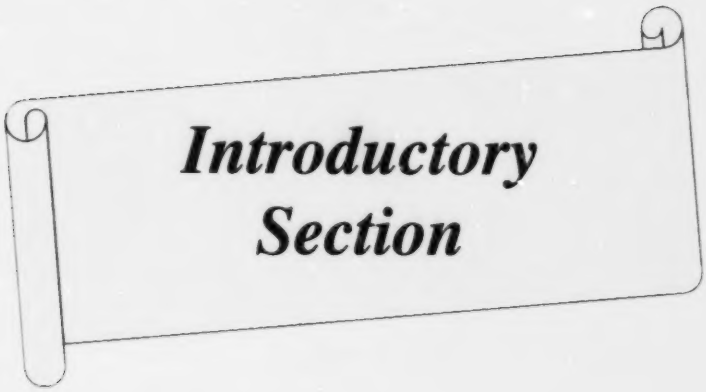
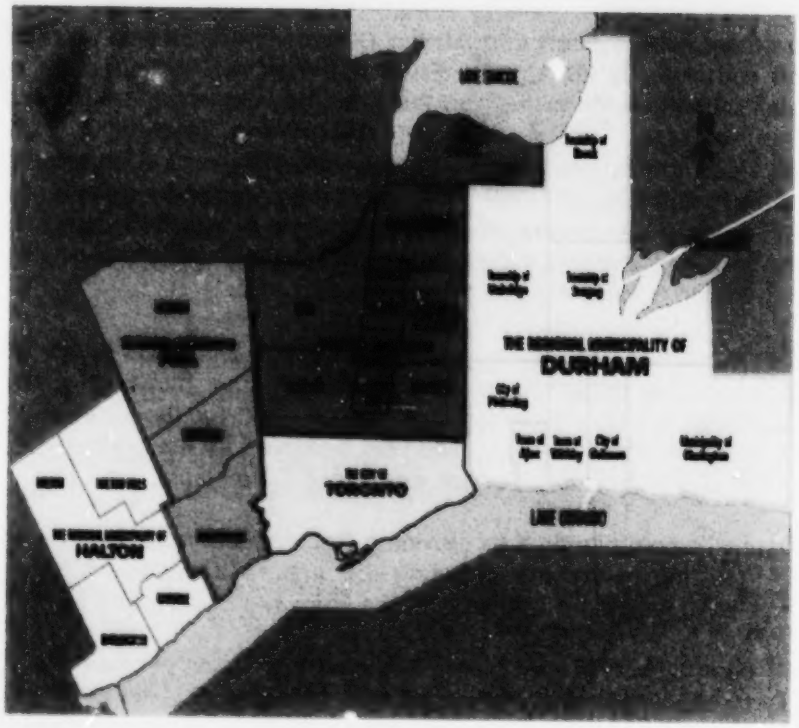

Introductory
Section

REGIONAL PROFILE

On January 1, 1974, the Regional Municipality of Durham was created by *The Regional Municipality of Durham Act*, 1973. The Act provided for the formation of eight Municipalities, comprising the City of Oshawa, the Town of Ajax, the Town of Pickering (the City of Pickering as of January 1, 2000), the Town of Whitby, the Municipality of Clarington (formerly the Town of Newcastle), and the Townships of Uxbridge, Scugog, and Brock.

Durham is located in the economic centre of Ontario immediately east of Toronto, which is Canada's commercial centre and largest city. The area in which the Region is situated is known as the Golden Horseshoe, an economic powerhouse stretching around the western end of Lake Ontario to Durham's eastern boundary, the Municipality of Clarington.

The Region shares prime access to the Great Lakes and northeastern markets of the continent, which encompass close to 120 million people. Durham covers a geographical area exceeding 2,471 square kilometres (954 square miles). The Region has experienced rapid growth in the residential, commercial and industrial sectors over the previous decade.



Durham's population has grown rapidly and is expected to surpass the half million mark in 2000. The Region has long been known for the strength of its manufacturing sector, located primarily in the south. The northern portion of the Region encompasses numerous headwaters and the rolling hills and hollows of the Oak Ridges Moraine. Here also, in addition to bountiful farmlands, you will find the prime recreational lake-lands of Simcoe and Scugog. Excellent transportation networks, public utilities and social infrastructure support the mix of urban and rural lifestyles in the Region of Durham.

MESSAGE FROM THE REGIONAL CHAIR

The current economic boom is good news for residents across the Region and I am happy to report the Region has taken steps to ensure that our infrastructure keeps a sustainable pace. Road congestion will be alleviated both by the continued expansion of GO Transit service and the expansion and enhancement of our Regional road network. Plans are currently underway to extend Highway 407 to Brock Road in the City of Pickering, and the widening of Taunton Road will serve to improve the east-west flow of traffic. In a partnership with the Province and the Local Municipalities, Highway 401 Interchanges servicing Ajax, Whitby and Oshawa will be improved and/or constructed.

Durham Region is looking ahead to the new millennium to create a vision of its future transportation system through the Durham Transportation Master Plan Study, expected to be complete by 2001. The Study will establish infrastructure and program priorities and supporting policies to the year 2021 and beyond.

Although roads are a main priority, the Region of Durham responds to infrastructure challenges on many fronts. The largest project undertaken by the Region in 1999 was the $95.6 million Ajax water supply plant, which is now fully operational. The plant is the most modern, efficient and safest water plant in Ontario and I have no doubt it will go a long way in meeting future Regional growth needs.

Other planned projects are meant to improve Durham's social infrastructure. In addition to initiating the rebuilding of the Hillsdale Manor facility in Oshawa in 1999, the Region approved a new 200-bed home for the aged for the Oshawa-Whitby area. Also, a new Durham Regional Police station was approved for the northern portion of Durham in order to better serve Uxbridge, Scugog and Brock Townships.

Council's commitments to providing Regional services within a sound fiscal framework and to investing in our infrastructure will ensure a positive future and the continued strong economic growth for residents of the Regional Municipality of Durham.

Of course, one of our greatest challenges looking forward is in the political realm, local government restructuring. It will take the collective will of all municipalities within Durham and the Region to reach a home grown restructuring agreement. Our many great achievements to this point have been a direct result of the Region and municipalities successfully working together. It is more important than ever that we continue in this spirit of cooperation to ensure that our citizens and taxpayers are provided with the best services in the most economical manner possible.

Roger M. Anderson
Regional Chair

MESSAGE FROM THE CHIEF ADMINISTRATIVE OFFICER

In 1999, the staff of the Regional Municipality of Durham continued to face significant administrative challenges related to the Provincial initiatives of Local Service Realignment, Greater Toronto Area (GTA) pooling, and changes to property taxation policy, including the implementation of a new tax assessment system.

It has been no small task absorbing downloaded programs and administrative responsibilities totalling approximately $78 million in 1999. However, through careful planning and diligent financial management, the Region will continue to deliver the services downloaded from the Province in a cost effective and efficient manner, thereby minimizing their effect on the Region's taxpayers.

The Region of Durham has already absorbed increased funding responsibilities for GO Transit, Social Assistance, Childcare and Health Services. Staff also worked throughout 1999 to ensure the smooth transfer of ambulance services, which officially became a Regional responsibility on January 1, 2000. Not only did the Region successfully assume the ambulance service, we also introduced a region-wide Advanced Life Support (Level 2) paramedic service, which was previously only available in the City of Oshawa.

The Region continues to work in consultation with stakeholders to develop an appropriate and effective administrative model for Social Housing, which is to be fully transferred to the Region in 2001. In addition, the Region and Area Municipalities are currently working towards the development of an acceptable administrative and revenue distribution model to facilitate the transfer of Provincial Offences Act administration from the Province.

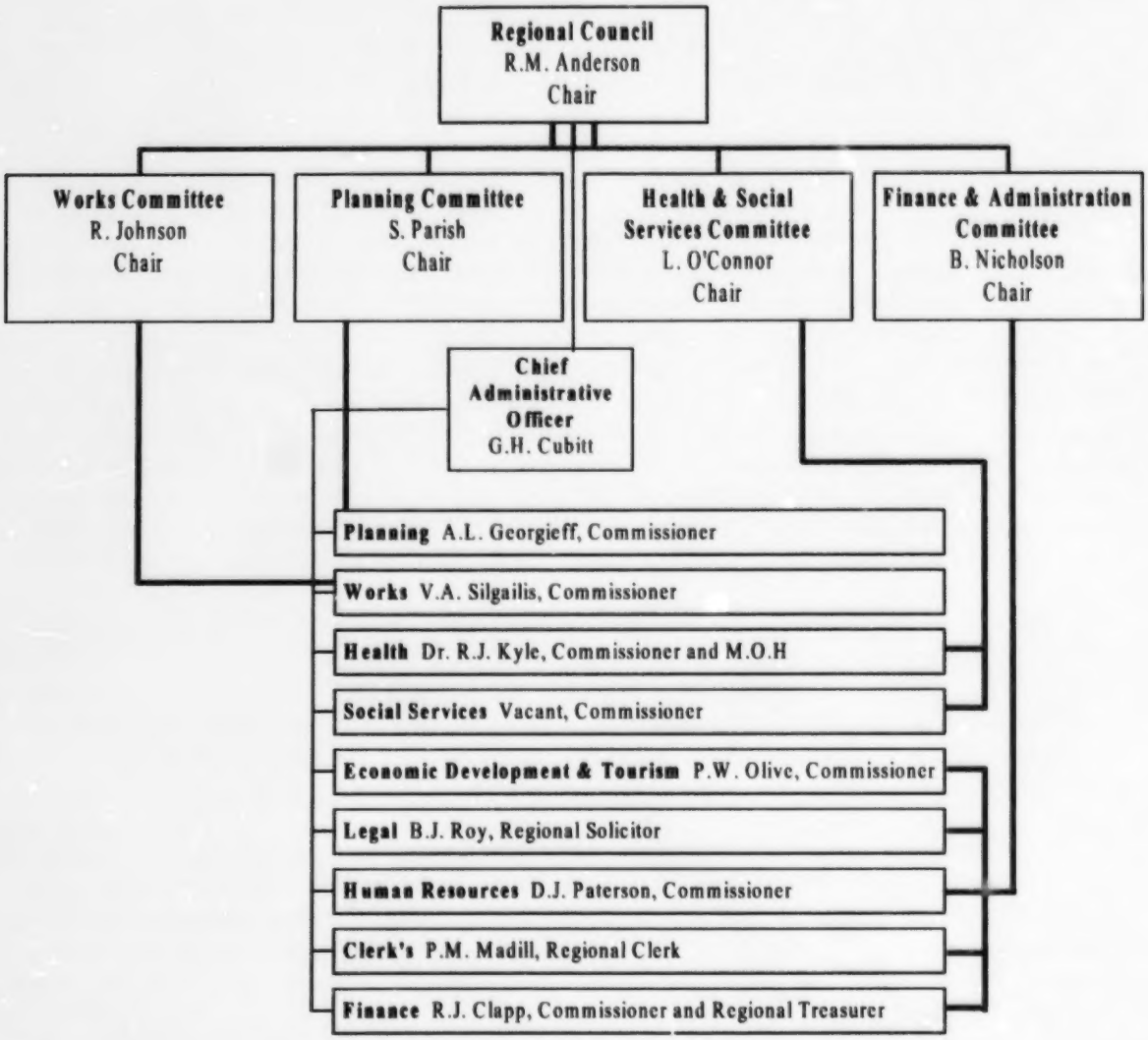
To effectively meet these administrative challenges over the next few years, Regional staff have reviewed and updated the Corporate Strategic Plan to reflect the new responsibilities of Regional staff to our community. Many of these new services will provide opportunities to reach out in a direct relationship with new segments of the Durham community.

Garry H. Cubitt

Garry H. Cubitt, MSW
Chief Administrative Officer

DURHAM'S MANAGEMENT AND REPORTING STRUCTURE

STANDING COMMITTEES AND REGIONAL ADMINISTRATION

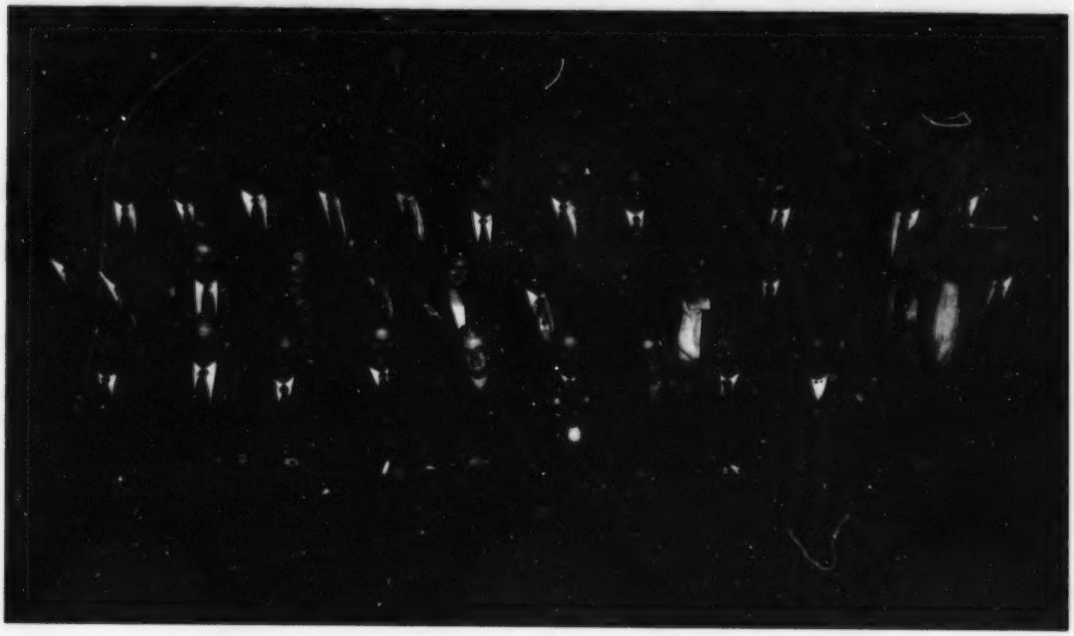


THE REGIONAL COUNCIL

Council's Mission

"To provide safe, efficient, effective services that protect the environment, support development of healthy and prosperous communities, and which reflect the diverse and changing needs of our citizens and customers."

Durham Regional Council and Senior Staff - 1997 to 2000



FRONT ROW: V.A. Silgailis (Commissioner of Works), Councillor K. Shier, Councillor D. Moffatt, Councillor M. Brunelle, Councillor G. L. O'Connor, Regional Chair R. Anderson, Councillor D. Hamre, Councillor W. Arthurs, Councillor S. Parish, Councillor N. Diamond.

MIDDLE ROW: R.J. Clapp (Commissioner of Finance and Treasurer), Councillor G. Emm, Councillor B. Nicholson, Councillor P. Perkins, Councillor L. O'Connor, Councillor M. Novak, Councillor D. Dickerson, Councillor M. Brenner, Councillor S. Para, Councillor N. Pidwerbecki, Councillor C. Aker, P.M. Madill (Regional Clerk), G.H. Cubitt (Chief Administrative Officer)

BACK ROW: B.J. Roy (Regional Solicitor), A.L. Georgieff (Commissioner of Planning), Councillor J. Gray, Councillor S. Crawford, Councillor R. Johnson, Councillor I. Harrell, Councillor K. Gadsden, Councillor J. Mutton, Councillor J. McMaster, Councillor J. Drumm, Dr. R.J. Kyle (Commissioner and Medical Officer of Health), D. Paterson (Commissioner of Human Resources), I. Ciuciura (Director of Emergency Measures).

ABSENT: Councillors B. Boychyn and C. Clarke and P.W. Olive (Commissioner of Economic Development and Tourism).

REPORT FROM THE COMMISSIONER OF FINANCE AND TREASURER

It is my pleasure to present the 1999 Financial Report of the Regional Municipality of Durham and to comment on economic and financial accomplishments and anticipated future challenges.

The current period of economic growth is an exciting time which brings with it increased employment opportunities, reduced social assistance costs and an increased assessment base in each of the residential, commercial and industrial sectors. A reality however, is that economic growth has increased the strain on our aging infrastructure, which needs to be maintained, upgraded and in some instances replaced. Herein lies the challenge from growth.

In accommodating economic expansion, Durham is embarking on a significant capital program over the next five years, targeting all aspects of our infrastructure, including water, sewer, roads, homes for the aged and police. I would like to stress that in financing required capital projects Durham will maintain its long-standing commitment to sound fiscal policies.

Durham's fiscal strengths, such as "pay-as-you-go" financing, were recognized when the Canadian Bond Rating Service and Moody's Investors Service reaffirmed the Region's "AAA" credit rating at the end of 1999. This highest rating category places Durham in a select group of Ontario municipalities who have an excellent reputation in the investment community and who are seen as leaders in fiscal responsibility and integrity.

Despite this honour, we continue to seek improvements to the Region's financial situation, controls and reporting functions. For example, in 1999 staff worked diligently to implement improvements to budgetary practices. Commencing with the 2000 budgetary process, Regional operating budgets will be presented in the context of at least a three-year planning horizon. The budget process will be initiated by presenting Regional Council with an *Economic and Financial Forecast and Guidelines for the Regional Budget*. Council will benefit by receiving a broad economic and financial picture of the Region prior to consideration of detailed budgets. The document will also assist Regional Departments, the Police Services Board and Outside Agencies in finalizing their individual budgets. A new program-focussed, more readable budget format is also being implemented to improve the ability of Councillors to scrutinize programs and their expenditures. Capital Budgets will continue to be part of 10 and 20 year servicing and financing reviews, undertaken annually to ensure financial viability.

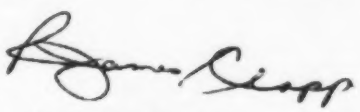
In 1999, major changes were made to the Region's capital funding policies. After a thorough public consultation process, a comprehensive *"Regional Residential and Commercial Development Charge Study"* was completed and Council subsequently approved changes to Development Charge By-laws. The new development charges

provide an improved balance between capital infrastructure needs, the related financial requirements of the Region and the impacts of these charges on our economy. The three-year phase-in of a new commercial development charge (commencing July 1, 2000) will begin to allow the recovery of growth related capital costs from new commercial development.

These changes are consistent with the prudent fiscal management and the financial strength that has, and will continue to allow us to meet the demands of future growth while delivering cost-effective Regional services. The key factors contributing to our positive outlook is the flexibility provided by our commitment to conservative budgetary practices, strong reserve and reserve fund positions, pay-as-you-go capital financing, manageable debt levels and our dedication to continuous improvement.

The Region of Durham maintains internal administrative and accounting controls to ensure that financial information is reliable and relevant and that the Region's assets are safeguarded and properly accounted. The financial statements herein have been prepared in accordance with accounting policies prescribed by the Ontario Ministry of Municipal Affairs and Housing. Where the determination of assets and liabilities is dependent upon future events, amounts are based upon reasonably determined estimates and judgements.

The Region is required by the *Municipal Act* to engage independent auditors to express an opinion as to whether our financial statements present the Region's financial position and operating results fairly in all material respects. Deloitte and Touche LLP has fulfilled this audit function as evidenced by the audit reports included in this document.



R.J. Clapp, CA
Commissioner of Finance and Treasurer

THE REGION OF DURHAM FINANCIAL MANAGEMENT TEAM

Chief Administrative Officer	G.H. Cubitt, MSW
Finance Department	R.J. Clapp, CA Commissioner of Finance and Treasurer
	J.M. Cermak, CA Director of Financial and Information Management Systems
	R.A. Crystal, CMA Manager of Accounting
	P.N. Richards, BBA, MBA Manager of Budgets, Economic Studies and Risk Management
	M.E. Simpson, BA, MA Manager of Special Projects and Financial Planning
	M.C. Martinez, MBA, CA Director of Supply and Utility Finance
	J.S. Lorne, CET, MBA Manager of Supply and Services
	R.D. Siblock, CMA Manager of Utility Finance
Auditor	Deloitte & Touche LLP Chartered Accountants
Banker	The Royal Bank of Canada
Fiscal Agents	RBC Dominion Securities Inc. CIBC World Markets

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS

Durham's economy grew significantly in 1999, due not only to the continued strength of our manufacturing sector, but also from significant commercial and industrial investments that expanded our existing economic base and created new developments across the Region. One of the many highlights for Durham was the August announcement by our largest employer, General Motors of Canada, that it will establish a Canadian Regional Engineering Centre in Oshawa. This state of the art vehicle design facility will add 150 new engineering positions plus other high-tech jobs starting in 2000, and will be a key player in General Motors' global engineering enterprise.

Economic Growth

1999 was a very prosperous year for Durham and the majority of its companies. The Region enjoyed one of the hottest job markets in the country, with our unemployment rate falling below both the national and the provincial averages. Over 4.0 million square feet of new commercial and industrial space was added during the year, another indication of significant growth in the economy.

Over the last decade Durham experienced strong population growth through economic expansion and migration. The population of Durham is expected to reach approximately 507,000 in 2000, which represents growth of 19.5% over the 1991 Census estimates produced by Statistics Canada. Matching this increase in population and general economic growth, the estimated market value of the Region's taxable assessment was $28.3 billion in 1999, an increase of approximately 19% compared to 1991.

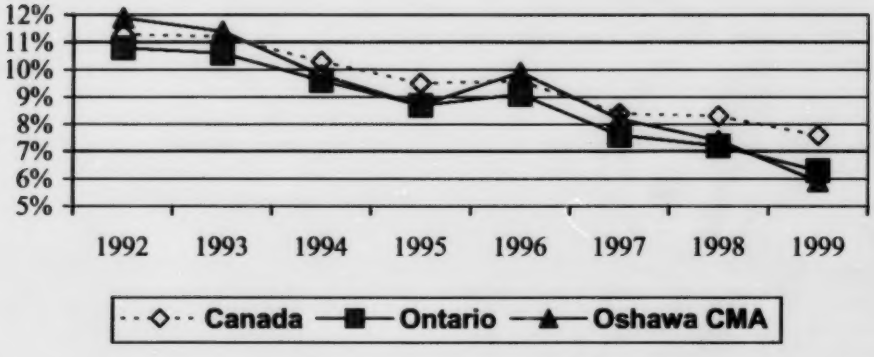
Although there are many people who choose to live in Durham and commute to work elsewhere, the 1996 Census indicated that 50% of Durham's workforce is employed within the boundaries of the Region of Durham.

Unemployment Rates

The unemployment rate has been on the decline since peaking in 1992 at 11.9%. In 1999, the unemployment rate in the Oshawa Census Metropolitan Area (CMA) had fallen to 5.9%, compared to 6.3% for Ontario and 7.6% for Canada.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Unemployment Rates 1992 to 1999



Building Permits

Durham experienced a significant rise in building permit activity in 1999 in both the residential and non-residential sectors. The increase in building permit activity reflects a strong economy. The rising housing market activity across the GTA was attributed in part to increased employment growth and improved consumer confidence.

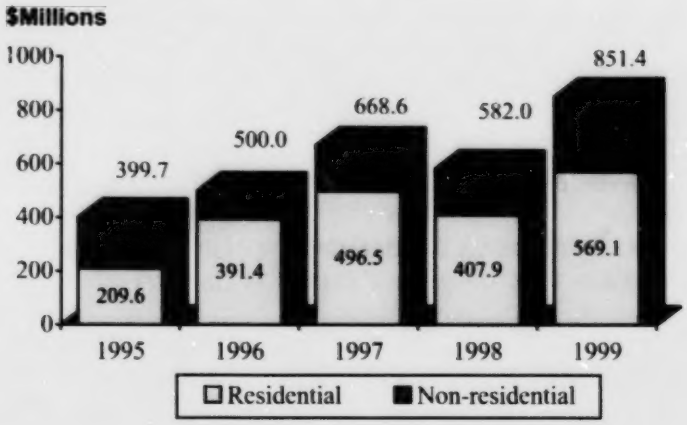
Floor space additions in 1999 in the industrial, institutional, and commercial sectors included but were not limited to:

- Industrial permits issued to Sobey's Warehouse (Whitby), Mackie Automotive Systems (Oshawa), Spinoni Developments Ltd. (Pickering), Hoopp Realty Inc. (Pickering), and Keokuk Development Inc. (Pickering);
- An institutional permit issued to Lakeridge Health (Oshawa); and
- Commercial permits issued to First Professional (Ajax) and Canadian Tire Corporation (Ajax and Pickering).

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Building Permits/Cont'd

The Value of Building Permit Activity 1995 to 1999



Economic Diversification

Economic success stories abounded in 1999 and demonstrated that, although the Region's largest employer remains General Motors of Canada, the Region is undergoing significant economic diversification.

The Auto Industry

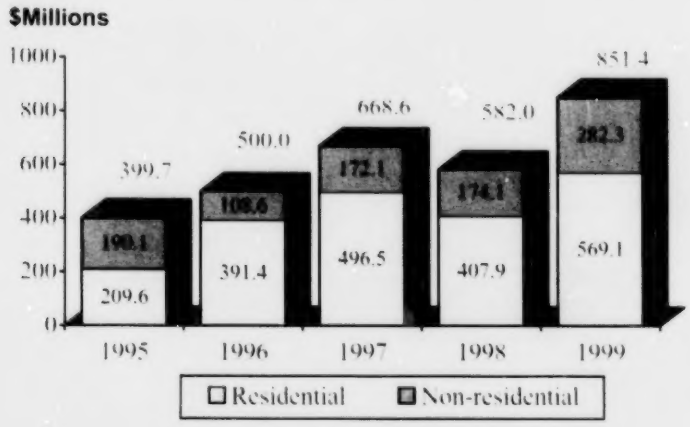
Even within Durham's automotive industry diversification is occurring. General Motors, which has a long-established and highly regarded manufacturing operation and Canadian headquarters in Oshawa, began construction of a new Canadian Regional Engineering Centre in Oshawa in 1999. This new facility will add approximately 150 new engineering positions, in addition to other high-tech jobs, and is expected to begin operations by the summer of 2000.

The $20 million state-of-the-art facility will bring total vehicle design and development capability to Canada and will focus on chassis and body sub-systems. It will enhance General Motors' existing capability in alternative fuels, specialty vehicles, cold weather technology and quality engineering. This investment by General Motors is the largest commitment to engineering and technology development of any auto manufacturer in Canada.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Building Permits/Cont'd

The Value of Building Permit Activity 1995 to 1999



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THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

The Auto Industry/cont'd

There are currently over 50 auto-related employers located in Durham Region, including General Motors and DaimlerChrysler Canada Inc., which employs over 750 workers at its soft-trim plant in Ajax. Other employers include parts suppliers, engineering and servicing companies, the largest being Peregrine Oshawa Inc., which employs close to 1,500 people in Oshawa. Although many of the smaller companies rely for a large proportion of their business on the success of General Motors and the auto industry, they are continually seeking new markets for their parts, service and expertise.

Other major recent developments in Durham include the following:

- Mackie Automotive Systems consolidated three of its operations to invest $13 million in one 300,000 square foot "megaplex" facility in Oshawa. The new plant is situated on 20 acres and employs 550 people;

- A major (U.S. based) Tier 1 supplier to General Motors plans to construct a 250,000 square foot manufacturing facility in Whitby and is expected to generate approximately 400 jobs when the plant is opened for business in 2002;

- BMW in Whitby announced the expansion of its facility to include a dealership area.

Ontario Power Generation

Ontario Power Generation (OPG) employs approximately 4,500 people in Durham at its two nuclear generating facilities located in Clarington and Pickering.

In 1999, the company significantly increased its presence at the Darlington site in Clarington. OPG – Darlington constructed a new 650 employee office building at the site, increased its employees to 2,230 and increased its 1999 operations and capital budgets by 29% (to $270 million) and 67% (to $50 million) respectively.

OPG - Pickering is also in the process of undergoing an environmental assessment and public consultation process to reactivate dormant reactors, which if successful could add approximately 1,100 jobs in 2001.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Sporting Events

Durham Region began 1999 on a positive note when it was awarded the 2000 Ontario Summer Games. Events have been slated for each Area Municipality. Over 10,000 visitors are expected to visit the Region for the games in addition to 3,500 athletes, coaches and officials. The three-day event is expected to generate approximately $2.0 million for local economies.

In 1999, the Region also submitted a report to the 2008 Toronto Olympic Bid Corporation, outlining possible venues for events that could be staged within Durham. The report noted Durham's excellent recreation facilities and the short drive (less than one hour) from the Region to the proposed Athletes' Village in downtown Toronto.

Education

Over 8,000 people were employed in Durham's education sector in 1999, primarily working for our public and separate School Boards. The next most significant employer in the education sector is the Durham College of Applied Arts and Technology, which in 1999, provided jobs to approximately 750 people.

Durham College had some very exciting news in 1999. The College already operates a University Centre, which allows students to take full-time daytime university programs from York and Trent Universities. It also offers over 50 certificate and diploma programs and has Continuous Learning Programs, a Skills Training Centre and a Manufacturing and Automation Centre of Excellence. In 1999, Durham College launched a public campaign to develop a full-scale university program for Durham College.

Durham College University Centre will submit its proposal to the Province in June and hopes to see legislation in place by November, 2000. The plan is to offer applied degrees, such as bachelor of information technology, auto manufacturing, police studies and nursing. The benefits would include increased prosperity and jobs, indirect economic spin-offs and decreased costs for Durham residents wishing to enroll their children.

Other Economic Developments

The following list highlights other significant and exciting new economic developments:

- Co-steel Lasco announced a $100 million upgrade to more than double its capacity;

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Other Economic Developments/Cont'd

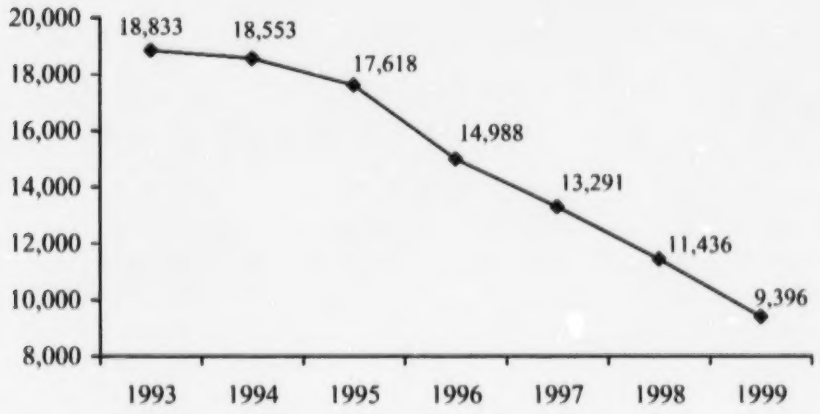
- In November 1999, the new $35 million AMC Theatre Complex opened in Whitby. The 24 screen multiplex has several other tenants on site and developer PenEquity Management is adding restaurants, sporting goods stores and a fitness centre;
- Loeb Supermarkets in Ajax/Pickering invested $6.0 million as part of a long-term revitalization program. The three Loeb stores in the area have undergone extensive renovation and remodelling as part of a corporate initiative called Loeb 2000;
- Nokia Canada invested $1.0 million in the expansion and renovation of its Ajax facility, adding 27,500 square feet to its Canadian headquarters;
- Hubbell Canada consolidated its Scarborough and Montreal operations into its Pickering plant, which underwent a $3.0 million expansion and now employs 50 additional employees;
- Ryder Grocery Services constructed a 350,000 square foot regional grocery distribution centre on a 140-acre site in Whitby. The site will serve as the eastern Ontario base for the grocery chain, Sobey's Canada. Ryder is expected to expand to over 600,000 square feet and add an estimated 350 to 390 new jobs;
- Canadian Tire has been undergoing major expansions in Durham, building new stores or expanding operations in Pickering, Ajax, Oshawa, Whitby and Bowmanville;
- A new Home Depot store was constructed in the Power Centre area of Ajax.
- A new "big box" development was constructed at Gibb and Stevenson Street, in Oshawa, including a Loblaws and Canadian Tire store;
- PICORE Holdings began construction of a new 78,000 square foot eight-story office building in the City of Pickering.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Income Support Caseloads

During the recent period of strong economic growth, there has been a dramatic decrease in income support caseloads, from an average of 18,833 cases per month in 1993, to 9,396 cases per month on average in 1999, a decrease of 50%.

Average Income Support Caseloads Per Month



Investment in Infrastructure

Staff of the Finance, Works and Planning Departments work together each year to complete annual "Servicing and Financing Studies" that determine infrastructure requirements and potential methods of financing for the enhancement and/or expansion of Durham's roadways, water supply and sanitary sewerage system and solid waste operations.

Durham's infrastructure is entering a phase of expansion and significant capital investments are anticipated over the next five years. Although there are significant infrastructure challenges facing the Region over the forecast period, which will result in additional costs, the Region's economy and financial status are in excellent health and Durham is ready to face any future challenges or opportunities that may arise.

Although not included in Durham's servicing and financing studies, the Region was pleased that the Government of Canada in its 1999 Throne Speech committed to a new five-year infrastructure program. There is expected to be an agreement in place by 2000, which could possibly assist Durham in financing planned infrastructure improvements.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Investment in Infrastructure/Cont'd

The Roads Program

The Roads Capital Budget in 1999 totalled $14.6 million. In 2000, it is expected to increase to $20.1 million, with spending on road enhancements and expansions over the 2001 to 2004 forecast period expected to reach close to $120 million. The 1999 roads forecast was developed in recognition of current costs and the need to aggressively accelerate projects, based on the pace of recent provincial highway expansion (Highways 401 and 407) and residential, commercial and industrial development activity.

A significant cost component in the Roads Program is the proposed expansion of various interchanges for Highway 401. Capital construction will commence in 2000 and includes interchanges at Harwood/Pickering Beach Road, Park/Stevenson Road and Lake Ridge Road. It is currently anticipated that the Region's share of costs associated with the Highway 401 construction program will total approximately $13.5 million over the five-year period ending December 31, 2004. The proposed improvements to the Highway 401 and its interchanges are essential to accommodate planned population and employment growth, sustain efficient goods movement and attract new economic development opportunities. The improvements also address current traffic and safety concerns regarding the existing interchanges and the adjacent Regional road network.

It is estimated that approximately $17.5 million will be required over the 2000 to 2004 period for the expansion of Taunton Road, one of the Region's major east-west transportation links. The proposed expansion to a four-lane roadway system from Church Street in Ajax to the eastern boundary of Oshawa will allow the Region to provide relief for existing congestion and encourage future industrial, residential and commercial development. Conclusions of the Transportation Master Plan study will assist in evaluating the need for and timing of improvements to Taunton Road through the Municipality of Clarington. The Transportation Master Plan, expected to be complete in 2001, will establish infrastructure and program priorities for Durham's entire transportation system to the year 2021 and beyond.

The expansion of Highway 407 into Pickering, expected to be complete by the Fall of 2001, will put additional demands on the Regional road system. The capital costs for Regional road improvements incurred as a direct result of the 407 extension up to and including 2004 are estimated to total $4.7 million. The projects include the Brougham Bypass and preparatory work for the Greenwood Bypass. The 407 extension will also impact the capital program by accelerating the scheduling of other major projects including the widening of Brock Road and the construction of the C.P.R. Subway.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Investment in Infrastructure/Cont'd

Water Supply and Sanitary Sewerage

In 1999, a state-of-the-art $95.6 million Water Supply Facility was completed in Ajax. The new plant has a capacity of 36 million imperial gallons per day (MIGD) compared to 10 MIGD for the facility it replaces. It is also designed to handle expansion in increments of 12 MIGD to a maximum of 72 MIGD.

Additional major capital expenditures, estimated at $100 million for Water Supply and $150 million for Sanitary Sewerage are necessary over the next five years to continue upgrades and expansion of Durham's water supply and sanitary sewerage system. The largest capital requirement over the next five years will be the construction of a new $85 million Courtice Water Pollution Control Plant (WPCP), pumping station, and related sewers. The new system is required to replace the circa 1950 Harmony Creek WPCP, as well as to provide additional capacity for growth of the Oshawa and Courtice urban areas.

Solid Waste Management

Major changes to Durham Region's solid waste management strategy are anticipated over the next several years. In 1998, the Region of Durham established a planning process to develop a *"Long Term Waste Management Strategy Plan: 2000 to 2020."* This process involved a Steering Committee, public Advisory Committee and a study consultant, with support provided by Durham's Works Department.

The preferred long-term waste management strategy plan, identified in the December 15, 1999 report, includes the following main recommendations:

- Divert at least 50% of the residential waste from disposal by the year 2007 or earlier;
- Secure an alternate source for the disposal of residential waste, when the City of Toronto's Keele Valley landfill site is closed;
- Implement an integrated residential waste management system for the collection, processing and disposal of blue-box recyclables, food and yard waste compostables, residual garbage waste, and special wastes; and
- Consider an "energy from waste" facility for the disposal of residual garbage waste.

The capital expenditures required to meet these long-term objectives were forecast by the 1999 Waste Management Advisory Committee at approximately $32 million. The Region maintains a Solid Waste Management Reserve Fund, available to partially fund such future expenditures.

THE YEAR AT A GLANCE – ECONOMIC HIGHLIGHTS/Cont'd

Economic Outlook

There are potential risks from uncertainties caused by Provincial downloading initiatives, specifically the pooling of Social Assistance and Social Housing costs across the Greater Toronto Area and the unpredictability of the costs of current downloaded services and any future downloading which may come from the Province.

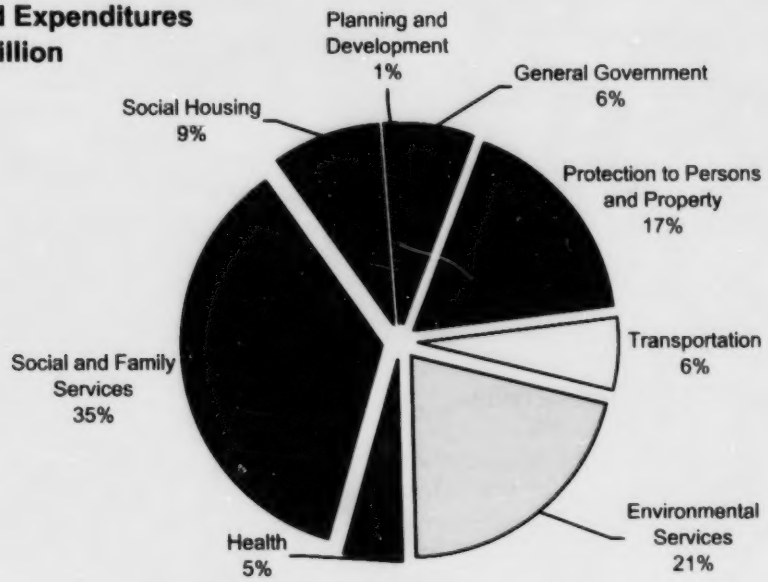
In the event that income support caseloads rise, under the current GTA "pooling" arrangement, Durham must not only meet social service demands in its own jurisdiction, but must also share in a portion of the City of Toronto's social assistance and social housing costs. This could result in a dramatic increase in Durham's share of these costs. The Provincial initiative to "pool" or "equalize" across the GTA means that the Region of Durham must pay a share of GTA-wide costs for the provision of Social Assistance, Social Housing and GO Transit. These contributions present great uncertainty because service costs in other jurisdictions are beyond the Region of Durham's control.

As a member of the Greater Toronto Services Board (GTSB), Durham is obligated to share in the costs of GO Transit. According to the cost sharing formula, Durham must fund approximately 10% of GO Transit's operating and capital cost allocation, amounting to $11.3 million in 1999. GO Transit requires significant service delivery enhancements and capital expansion, which will require a greater funding commitment by Durham over the next five years. Initial estimates for up-coming projects across the GTA are upwards of $1 billion.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS

Revenue Fund

1999 Revenue Fund Expenditures
$374.3 million



Revenue Fund Expenditures

Total revenue fund expenditures increased by 2.5% to $374.3 million in 1999, compared to $365.1 million in 1998. Major expenditure increases in 1999 were in the categories of Transportation Services and Protection to Persons and Property and were primarily due to the following:

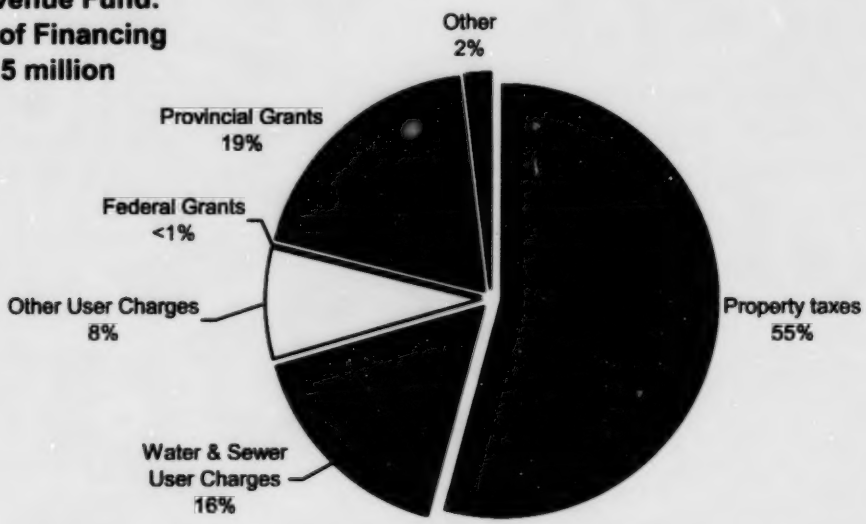
- Acceleration of the roads program and the resulting increase in expenditures for the maintenance of an expanding inventory of roads, bridges, traffic signals and culverts;
- Higher winter control costs for Regional roadways in 1999 due to the number of severe storms;
- Commencement of the Police Service Board's five-year staffing plan, which for 1999 called for the addition of 33 new uniformed police officers and 15 new civilian staff positions.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS

Revenue Fund Sources of Financing

As shown in the following chart, revenue fund financing sources include Regional property taxes (including supplementary taxes), user charges, and grants from the federal and provincial governments.

1999 Revenue Fund: Sources of Financing $453.5 million



Revenue from tax requisitions increased from $236.0 million to $245.9 million in 1999, an increase of 4.2%. The increased revenues were due to assessment growth, an approved 1.4% increase in the 1999 Regional Tax Levy to cover Police Services and Roads Capital Programs, and an increase in "payments in lieu" of taxes (PILs).

User fee revenues (primarily water and sewer rates) increased by 8% to $111.4 million in 1999, compared to $103.2 million in 1998. Over two thirds of the increase in revenue from user charges came from higher water and sewer billings in 1999, due primarily to the addition of approximately 3,500 new water and sewer customers. Other user charges include those collected for Waste Management, Child Care and Homes-For-the-Aged.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS

Water Supply and Sanitary Sewerage

A major responsibility of the Regional Corporation is the safe operation and maintenance of the Water Supply and Sanitary Sewerage systems to serve current residents, and to ensure an adequate service level to facilitate future growth.

Revenues required to finance these Regional operations are raised primarily from Region-wide uniform user rates. The water and sewer rates, rate structure, development charge receipts and long-term capital requirements are reviewed annually to ensure the continued viability of these operations.

Adherence to the Region's pay-as-you-go philosophy regarding significant capital expenditures necessitated an average 2.4% increase in the combined 1999 water and sanitary sewer user rates. The impact on a typical residential customer (60,000 gallons per year) was an additional $8.40 per year, increasing the total average annual cost for water and sewer use to $360.24 per year.

The 1999 increase in rates was required to finance increased operating costs and debt service charges due to commencement of operations for the new Ajax Water Supply Plant. The increase also covered general labour cost increases and increased costs to disinfect sewage treatment plant effluent. The only other increase in water and sewer rates since 1992 occurred in 1998, when rates were increased 2% to finance the water capital budget, including projects to rectify deficiencies in the water supply system.

The annual surpluses (or deficits), relating to water and sewer operations are transferred to (or financed from) the applicable Treatment Plant/Rate Stabilization Reserve Fund. These funds held balances at the end of 1999 totalling $43.1 million for sewer services and $23.7 million for water services. The funds are committed to finance future capital upgrades and expansion of the Water Supply and Sanitary Sewerage Systems.

Solid Waste Management

The goal of the Solid Waste Management operation is to plan for and provide safe, reliable management of waste operations to meet the requirements and expectations of existing and future residents and businesses of Durham. In 1997, work began to develop a long-term waste management strategy to ensure the Region would attain this goal. At the end of 1999, the "*Region of Durham Long-term Waste Management Strategy Plan: 2000 to 2020,*" was approved in principle by Regional Council.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Solid Waste Management Operation/Cont'd

The Long-term Waste Management Strategy Plan: 2000 to 2020 includes the goals of:

- *Diverting at least 50% of the residential waste from disposal by the year 2007 or sooner;*
- *Securing an alternate source for the disposal of residential waste, when the City of Toronto's Keele Valley Landfill site is closed;*
- *Implementing an integrated residential waste management system for the collection, processing and disposal of blue box recyclables, food and yard waste compost, residual garbage waste and special wastes; and,*
- *Considering an "Energy from Waste" type facility for the disposal of residual garbage waste.*

If fully implemented, the costs required to meet the objectives of the long-term solid waste strategy were projected by the Region of Durham's 1999 Waste Management Advisory Committee to exceed $30 million in additional capital costs and an increase in annual operating costs of over 20%.

Sources of revenue for the operation of the Solid Waste Management system consist of a portion of the Regional Tax Levy, user fees and the sale of recyclable materials. Major expenditures are related to solid waste haulage and disposal fees, blue box collection and the processing of recyclables and compost. The Region of Durham owns and operates a small landfill site in the Township of Brock, three transfer sites for waste disposal and recycling in the City of Oshawa and in the Township of Scugog (2), and a processing facility for recyclable material located in the Town of Whitby.

A goal of the Region's solid waste management operation is to maintain a system of true cost recovery. However, there are uncertainties that can lead to a surplus (or deficit) position for solid waste operations at the end of each year. These include the difference between actual and projected waste volumes and uncertainties surrounding revenues from the sale of recyclable materials, which fluctuate based on uncontrollable market prices. In 1999, Solid Waste Management operations generated an operating surplus of $179,364, which was added to the Solid Waste Management Reserve. At the end of 1999 the Solid Waste Management Reserve had a balance of $8.8 million.

The Region of Durham received approximately 194,129 tonnes of waste in 1999 of which 26.6% was diverted from landfill sites and either sold as recyclable products or composted in a private facility. The Region continues to concentrate its efforts on the "3R" programs (reduce, reuse and recycle) in order to meet its goal of 50% diversion from landfill by the year 2007.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Solid Waste Management Operation/Cont'd

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THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

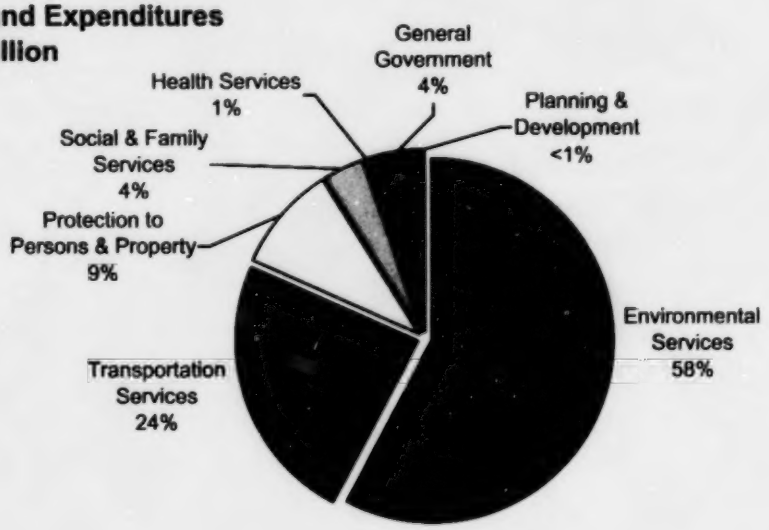
Capital Fund

Capital Fund Expenditures

Capital projects are necessary to maintain the current infrastructure and provide for future requirements. In 1999, capital fund expenditures amounted to $74.2 million, compared to $75.8 million in the previous year.

The largest portion of the Region's capital fund expenditures in 1998 and 1999 was related to the expansion and up-grade of Durham's water supply and sanitary sewerage infrastructure (75% of capital fund expenditures in 1998 and 57% in 1999). Projects included those necessary to meet new growth, as well as those which address existing deficiencies in our aging water supply and sanitary sewerage systems. Spending on water and sewer capital fell to $42.8 million in 1999 compared to $57 million in 1998.

1999 Capital Fund Expenditures
$74.2 million



THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Capital Fund Expenditures/Cont'd

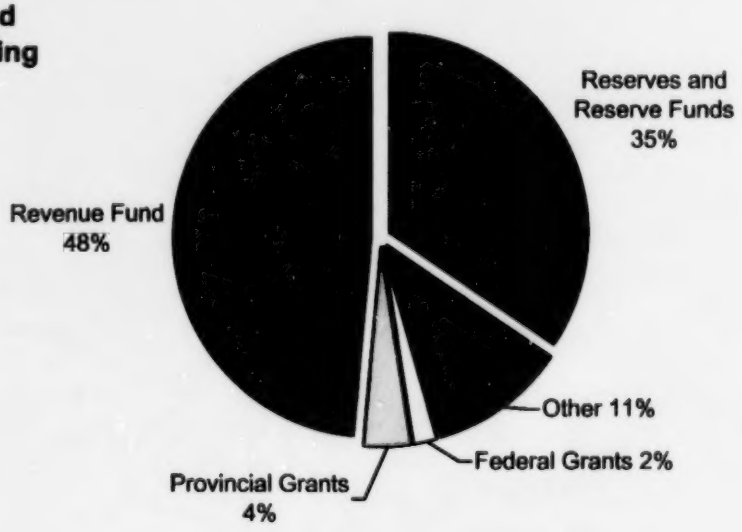
Slightly off-setting an overall decrease in capital fund expenditures in 1999 were the following:

- An additional $5.7 million of capital asset purchases by Police Services for radio communications equipment, computer information systems and the North Durham Police building;
- A $3.8 million increase in the roads capital program to a total of $17.8 million;
- Y2K preparedness ($2.7 million);
- Preparatory work completed for the construction of the new Hillsdale Manor home for the aged, expected to be completed in 2002.

Capital Fund Sources of Financing

The Region of Durham's 1999 capital spending program was financed through transfers from reserves and reserve funds ($25.5 million), provincial and federal government capital grants ($4.3 million), current operations ($36 million) and other sources ($8.1 million). Another traditional source of capital financing, which was not utilized by the Region of Durham in 1999, is the issue of long-term debt. Amounts deposited to the Region's reserves and reserve funds in 1999 will help ensure that the Region can minimize debt issuance over the next several years. Projected gross capital spending over the next five years is expected to exceed $400 million, to ensure Durham's infrastructure adequately meets the needs of residents. The impact of this spending will be minimized by Durham's strong reserves and reserve funds.

1999 Capital Fund Sources of Financing $73.9 million



THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Debt Position

The Region of Durham Debt Management Policies are governed by Provincial Legislation and Regulations and Regional Council approval. During 1999, no new long-term debentures were issued and the Region's long-term debt outstanding at December 31, 1999 was $82.7 million, a decrease of 5.5% over December 31, 1998. The Region is also the authorized entity for debt issuance for all municipalities within its jurisdictional boundaries. No new debentures were issued on behalf of others during 1999.

Durham's Credit Rating

Large corporate entities, like individuals, must establish and maintain an acceptable credit rating, if they wish to obtain loans successfully or make purchases on credit. A good credit rating brings with it more favourable loan terms, including lower interest rates, more flexibility and higher available credit lines.

Both the Canadian Bond Rating Service (CBRS) and Moody's Investor Service have recently re-affirmed the AAA rating for the long-term debentures of the Regional Municipality of Durham, with a continued stable outlook. The annual rating review includes consideration of the performance of the Regional economy and financial results achieved by the Region and its eight Area Municipalities. The positive credit profile speaks to the financial strength of Durham and its eight Area Municipalities.

In 1999, the CBRS Rating Committee noted that:

"Despite many challenges facing Ontario municipalities as a result of provincial reforms and infrastructure deficiencies, the Region of Durham remains well positioned to meet these challenges and maintain its AAA credit rating. The rating is supported by its strong economic growth prospects, high personal income levels by peer comparison, continued assessment expansion and significant reserve positions. Durham Region's aggregate reserve fund balances, strong development charge policy and continued operating contributions to capital will maintain a healthy capital structure and minimize future debt issuance."

One of the Region of Durham's most important financing policies is the "pay-as-you-go" capital financing policy, which is a major factor in the Region's current AAA credit rating. Although significant capital outlays for infrastructure will be required over the next five years, a continued focus on internal funding will minimize future debt issuance needs.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

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THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Durham's Credit Rating/Cont'd

The Region of Durham maintains and intends to maintain the pay-as-you-go philosophy and only uses and intends to use debenture financing when necessary for large capital investments that are not possible to finance "up-front."

Reserves and Reserve Funds

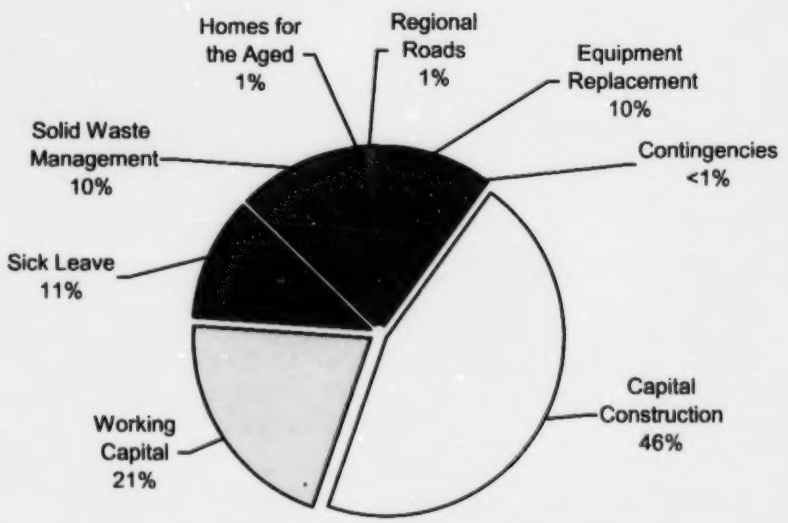
The Region of Durham strives to maintain solid Reserves and Reserve Fund positions to ensure sufficient financial flexibility, minimize the impacts of growth requirements and future liabilities, and to complement the Region's pay-as-you-go financing philosophy for major capital expenditures. Maintaining a policy that is meant to maximize up-front financing requires a healthy level of Reserves and Reserve Funds. A net contribution of $17.7 million was transferred between the Region's reserves and reserve funds in 1999 and will be used to mitigate the significant potential that exists for property tax and user rate increases over the next five years of infrastructure growth.

Reserves and Reserve Funds at December 31, 1999 totalled $282.6 million, an increase of 28.2% compared to December 31, 1998. The majority of these funds are committed to assist in the financing of future capital expenditures for water supply, sanitary sewerage, regional roads, solid waste management and risk management.

Reserves

At the end of 1999, the Region had eight Reserves totalling $86.7 million, compared to $65.4 million at December 31, 1998, an increase of $21.3 million.

Reserves
Total $86.7 million



THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

Reserves/Cont'd

The Region of Durham's Reserves are established for specific purposes, such as the provision of working capital to mitigate fluctuations in annual cash flows. Two reserves provide the Region with necessary financing for contingent liabilities (e.g., the Sick Leave and Contingencies Reserves). Other Reserves have been established to enable "up-front" financing of major capital expenditures or are used to finance projects budgeted in one year, but with construction taking place over more than one year (e.g., the Capital Construction, Regional Roads, Homes for the Aged and Equipment Replacement).

Most of the reserve increase in 1999 is dedicated to capital projects necessary to upgrade and expand the Region's water, sewer and transportation infrastructure over the next several years and the 1999 contribution from the revenue fund will reduce the need for future debenture financing.

> *"As reserves are drawn down to pay for capital projects, the replenishment of these liquidity sources is important for maintenance of the current rating. Since development charges may only be levied for growth related purposes, a key forward-looking credit strength will be Durham's ability to maintain strong operating budget contributions to reserve funds once growth has slowed and the municipality assumes a more mature pace of development. Maintenance of solid reserve balances will ensure high internal funding and minimal debt issuance for rehabilitation and servicing of infrastructure as it ages through its economic life."*
>
> **Canadian Bond Rating Service, December 21, 1999**

Reserve Funds

Reserve funds are amounts set aside to finance specific future costs. The total value of the Region's Reserve Funds increased in 1999 by $40.9 million to $196 million, compared to $155.1 million in 1998.

THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

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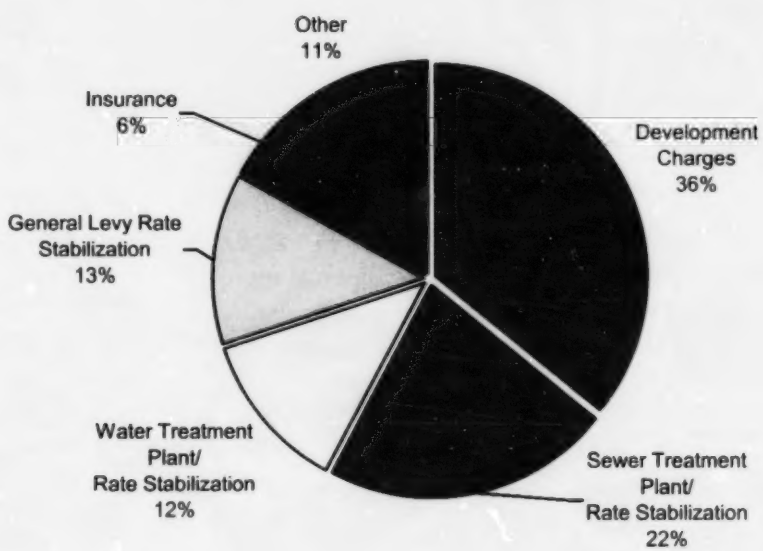
THE YEAR AT A GLANCE – FINANCIAL ANALYSIS/Cont'd

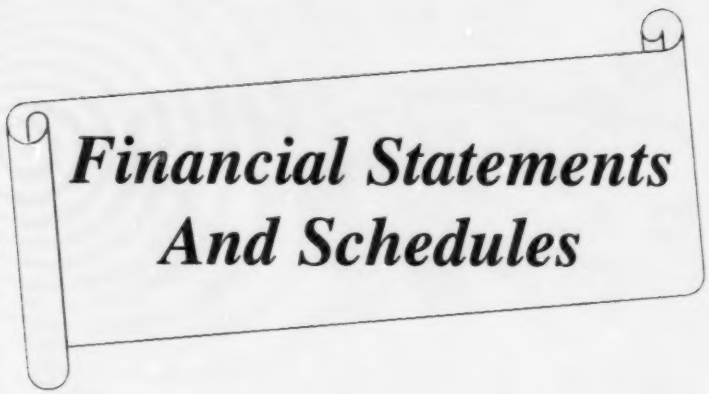
Reserve Funds/Cont'd

Approximately 36% of the total reserve fund balance at December 31, 1999 is represented by development charges, which have been collected from developers and are being held "in trust" by the Region to finance future residential growth related projects for water, sewer, roads and other specific purposes. In 1999, contributions from developers totalled $35.5 million, compared to $18 million in 1998, an increase of 97%. This significant increase was due to developers prepaying development charges in advance of a new Regional by-law. As of August 31, 1999, residential development charge rates increased by 17%. Also contributing to higher Reserve Funds in 1999, investments resulted in interest revenue of $8.5 million in 1999.

Reserve Funds
Total $196 million



In order to maintain financial flexibility, the Region of Durham has adopted a number of policies with respect to operational surpluses. For example, water and sewer operating surpluses are transferred each year to their respective Treatment Plant/Rate Stabilization Reserve Funds. The General Levy Stabilization Reserve Fund was established in 1995 and is used to offset extraordinary expenditure requirements or revenue shortfalls and minimize their impact on the Regional General Tax Levy. This fund totalled $25.8 million at the end of 1999.


Financial Statements
And Schedules

FINANCIAL STATEMENTS
and
AUDITORS' REPORT

REGIONAL MUNICIPALITY OF DURHAM

December 31, 1999

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Canada

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Deloitte & Touche

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham

We have audited the consolidated balance sheet of the Corporation of the Regional Municipality of Durham as at December 31, 1999 and the consolidated statement of operations for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Regional Municipality of Durham as at December 31, 1999 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in Note 2 to the consolidated financial statements.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 28, 2000

Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET
As at December 31, 1999

	1999 $	1998 $
ASSETS		
Unrestricted:		
Cash and short-term investments	148,580,216	130,659,824
Accounts receivable (net of allowance for doubtful accounts of $280,000 - 1999 and 1998)	52,783,468	33,772,444
Other current assets (Note 3)	8,071,451	6,858,494
	209,435,135	171,290,762
Restricted: (Note 7)		
Cash and short-term investments	185,176,639	144,005,305
Investment in own debenture	10,799,000	11,094,000
	195,975,639	155,099,305
Capital outlay financed by long-term liabilities and to be recovered in future years (Notes 2, 4 and 5)	82,689,320	87,522,843
	488,100,094	413,912,910
LIABILITIES		
Accounts payable and accrued liabilities	82,537,591	67,253,511
Other current liabilities and deferred revenue	10,639,687	8,871,090
	93,177,278	76,124,601
Net long-term liabilities (Note 5)	82,689,320	87,522,843
Other long-term liabilities	5,284,793	5,069,426
	87,974,113	92,592,269
FUND BALANCES AT THE END OF YEAR		
Unexpended Capital Financing	24,321,570	24,720,891
Reserves (Note 6)	86,651,494	65,375,844
Reserve Funds (Note 7)	195,975,639	155,099,305
	306,948,703	245,196,040
	488,100,094	413,912,910

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 1999

	1999 Actual $	1998 Actual $
SOURCES OF FINANCING (Schedule 1)		
Requisition on Area Municipalities (including supplementary taxes)	245,851,023	235,954,747
User Charges		
Water and Sewer	74,211,112	68,652,361
Other	37,165,330	34,508,599
Grants		
Government of Canada	1,703,233	2,712,259
Province of Ontario	89,750,737	87,193,242
Contribution from Developers	38,260,904	22,094,762
Other	24,021,869	15,800,259
TOTAL FINANCING	510,964,208	466,916,229
EXPENDITURES (Notes 2, 8, 9, 10 and 11) (Schedule 1)		
General Government	25,204,588	24,674,495
Protection to Persons and Property	71,933,565	61,594,846
Transportation Services	39,658,348	32,012,662
Environmental Services	121,190,111	132,631,433
Health Services	17,705,663	21,252,754
Social and Family Services	137,044,528	131,650,104
Social Housing	32,090,807	33,849,020
Planning and Development	4,383,935	3,870,440
TOTAL EXPENDITURES	449,211,545	441,535,754
EXCESS OF FINANCING OVER EXPENDITURES	61,752,663	25,380,475
FUND BALANCES, BEGINNING OF YEAR	245,196,040	219,815,565
FUND BALANCES, END OF YEAR	306,948,703	245,196,040

The accompanying notes are an integral part of these financial statements.

1) MUNICIPAL STRUCTURE

The Regional Municipality of Durham came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under the authority of the Regional Municipality of Durham Act, 1973.

The Region comprises the following Area Municipalities:

- City of Oshawa
- Town of Ajax
- Town of Pickering
- Town of Whitby
- Municipality of Clarington
- Township of Brock
- Township of Scugog
- Township of Uxbridge

and is responsible for services within these Area Municipalities related to the following:

- Financial, including all debt issues.
- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning, Fire Co-ordination and 911 Emergency Telephone services.
- Transportation Services, including all Regional Roadways and Traffic Control.
- Environmental Services, including the Water Supply System, Sanitary Sewerage System, Regional Storm Sewer System and Waste Disposal.
- Health Services, including Public Health Services and Inspections.
- Social and Family Services, including General Assistance, Homes for the Aged and Day Nurseries.
- Planning, including official plan administration.
- Regional Development and Promotion.

In 1998, as a result of the Local Services Realignment process instituted by the Province, the Region became responsible for the costs related to the following new programs;

- Land Ambulance Services
- GO Transit
- GTA Pooling
- Assessment Services
- Social Housing

2) SUMMARY OF ACCOUNTING PRINCIPLES

a) Basis of Statement Presentation

i. The consolidated financial statements reflect the activities of the Revenue Fund, Reserves, Reserve Funds, and the Capital Fund of the municipality, including the activities of the Durham Region Police Services Board.

2) **SUMMARY OF ACCOUNTING PRINCIPLES/Cont'd**

ii. The following programs with a March 31st year end, which are fully funded by the Province, are excluded from these statements:

- Healthy Babies/Healthy Children
- Adult Protective Services Worker
- Domestic Court Violence
- Correctional Services
- Infant Development

iii. The trust funds administered by the municipality are not included in these consolidated financial statements. The Trust Funds financial statements are disclosed separately.

b) Basis of Accounting

i. Accrual Basis of Accounting

Expenditures and their related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii. Fixed Assets

The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

iii. Capital Outlay to be Recovered in Future Years

Capital outlay to be recovered in future years represents the outstanding principal portion of long-term liabilities for municipal expenditures and are reported on the Consolidated Balance Sheet.

iv. Inventories of Supplies

Inventories of supplies are valued at cost on the first-in, first-out basis.

3) OTHER CURRENT ASSETS

	1999 $	1998 $
Prepaid Expenses	5,332,205	4,257,768
Inventory	2,739,246	2,600,726
	8,071,451	6,858,494

4) CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS

Capital outlay which has been financed by long-term liabilities will be recovered in future years from the following sources:

	1999 $	1998 $
General Activities	3,517,250	4,116,118
Special Charges on Benefiting Landowners	453,197	519,529
Sanitary Sewerage Operation	34,687,619	36,287,523
Water Supply Operation	44,031,254	46,599,673
	82,689,320	87,522,843

5) NET LONG-TERM LIABILITIES

The balance of net long-term liabilities reported on the Consolidated Balance Sheet is made up of the following:

	1999 $	1998 $
Total long-term liabilities incurred	157,106,338	171,498,581
In addition, the Region has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by the Province of Ontario.	1,268,469	1,549,744
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by other municipalities and independent boards for a principal amount of	(75,685,487)	(85,525,482)
Net long-term liabilities at the end of the year	82,689,320	87,522,843

5) NET LONG-TERM LIABILITIES/Cont'd

The net long-term liabilities will be charged to operations as follows:

	2000	2001	2002	2003	2004 and Thereafter
	$	$	$	$	$
Water Supply Operation	2,841,404	2,723,636	2,880,825	3,043,058	32,809,577
Sanitary Sewerage Operation	1,881,491	1,801,374	1,917,855	1,925,990	27,346,860
Police Services Board	638,280	681,966	729,310	714,426	753,268
	5,361,175	5,206,976	5,527,990	5,683,474	60,909,705

The long-term liabilities issued in the name of the municipality on or before December 31, 1992 have received approval of the Ontario Municipal Board. Those approved after January 1, 1993 have been approved by by-law. These annual principal and interest payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6) RESERVES

The reserves are comprised of the following:

	1999	1998
	$	$
Solid Waste Management	8,830,487	8,651,184
Working Capital	18,086,950	16,474,784
Equipment Replacement	8,257,768	8,816,986
Regional Roads	1,097,012	1,342,835
Contingencies	400,000	400,000
Sick Leave	9,551,322	6,715,868
Capital Construction	39,295,087	21,842,319
Homes for the Aged	1,132,868	1,132,868
	86,651,494	65,375,844

7) RESERVE FUNDS

The reserve funds are comprised of the following:

	1999 $	1998 $
Development Charges:		
▶ Regional Roads	10,953,576	10,695,432
▶ Sanitary Sewage	17,314,986	9,880,864
▶ Water Supply	34,733,243	31,193,451
▶ Waste Disposal	3,879,166	3,229,133
▶ Administrative Facilities	1,794,029	1,494,357
▶ Police	1,425,603	1,025,197
▶ Homes for the Aged	83,689	-
▶ Development Charge Study	9,800	-
Treatment Plant/Rate Stabilization:		
▶ Sanitary Sewage	43,061,385	33,592,606
▶ Water Supply	23,719,489	17,296,258
Regional Share of Non-Residential Development:		
▶ Sanitary Sewage	2,917,354	2,702,085
▶ Water Supply	2,293,563	2,090,613
Highway #2	1,685,605	2,206,340
General Levy Stabilization	25,846,412	16,655,864
911 Emergency Telephone System	56,759	54,097
Industrial Land	847,932	687,221
Roads Property Acquisition	267,093	254,566
Foreign Exchange	3,299,745	3,138,024
Workers' Compensation	7,108,461	5,959,986
York/Durham Sanitary Sewage	2,747,269	2,497,074
Insurance	10,821,621	9,638,723
Hospital Capital	365,340	443,515
Durham University Centre	743,519	363,899
	195,975,639	155,099,305

Reserve Fund holdings consist of cash, short-term investments and an investment in own debentures.

8) PENSION AGREEMENTS

The Region makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 2,635 Regional employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 1999 was $ Nil (1998 - $3,002,496) for current service and is included on the Consolidated Statement of Operations classified under the appropriate functional expenditure headings.

The OMERS Board announced a 2% contribution reduction effective January 1, 1998, followed by a temporary contribution holiday for active members and participating employers effective August 1, 1998. Regional Council authorized the transfer of savings from the 2% reduction to the Sick Leave Reserve, with the remaining savings being set aside in the Capital Construction Reserve, to reduce any future debenture requirements for certain capital projects.

9) LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by employees on terminating, amounted to approximately $26,161,222 (1998 - $24,961,000) at the end of the year. An amount of $1,038,152 (1998 - $1,027,512) was paid to employees who left the Region's employment during the current year, and is included on the Consolidated Statement of Operations.

A reserve for sick leave in the amount of $9,551,322 (1998 - $6,715,868) has been provided for this liability and is reflected on the Consolidated Balance Sheet. An amount of $2,835,454 (1998 - $2,651,841) was provided in 1999 and is reported on the Consolidated Statement of Operations.

Anticipated payments for vested sick leave over the next five years to employees who are eligible to retire are as follows:

2000	$ 12,113,433
2001	$ 1,171,146
2002-2004	$ -

10) CHARGES FOR NET LONG-TERM LIABILITIES

Total charges for the year for net long-term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	1999 $	1998 $
Principal payments	4,816,033	5,080,542
Interest	5,535,421	5,810,903
	10,351,454	10,891,445

Of the total 1999 charges shown above, $869,708 was paid from general municipal revenues of the municipality, $5,396,641 was recovered from the water supply operation and $4,085,105 was recovered from the sanitary sewerage operation. These amounts are included on the Consolidated Statement of Operations classified under the appropriate functional expenditure headings.

11) CONTRACTUAL OBLIGATIONS

a) Sanitary Sewerage System

In 1997, the Regional Municipality of Durham and the Regional Municipality of York jointly purchased certain sanitary sewerage systems from the Province and entered into a joint operating agreement, whereby Durham will operate and maintain these facilities. Each co-owner is responsible for its share of the operating costs based on actual flows.

b) Lease Commitments

The Region has commitments under various building lease agreements expiring in 2000 to 2004. These leases require approximate annual rental payments for the next five years as follows:

2000	$ 3,549,042
2001	$ 3,081,427
2002	$ 2,718,146
2003	$ 2,268,559
2004	$ 1,031,395

12) MUNICIPAL FUND BALANCES

The balance of funds available for transfer to the General Levy Stabilization Reserve Fund, as surplus for the year, has been reduced by an amount of $9,900,000, which was transferred to the Capital Construction Reserve, in accordance with the direction of Regional Council on June 28, 2000.

13) TRUST FUNDS

Trust funds administered by the municipality amounting to $1,957,784 (1998 - $2,049,693) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations. The Trust Funds are reported on separately.

14) BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts. Therefore, the budgets have not been reflected on the Consolidated Statement of Operations.

15) IMPACT OF PROPERTY TAX PHASE-IN AND CAPPING PROVISIONS

As part of its planned implementation of Current Value Assessment, the Province of Ontario has mandated a transitional phase which requires municipalities to cap assessment related increases on portions of properties in the commercial, industrial and multi-residential property classes. Assessment related tax increases will be capped at 10% in 1998 and 5% in 1999 and 2000 for these property tax classes. The legislation requires that the costs of capping be funded through the clawback of taxes on properties with previous assessment related tax reductions.

In addition, the Region has implemented a three-year phase-in program to mitigate the effect of transition to Current Value Assessment for residential properties.

Area municipalities have jurisdiction for the management of the tax collection system, and the Region has the responsibility to act as "banker" in order to balance out the overall impact of the capping and residential phase-in initiatives on a Regional basis. Implementation may cause some year to year variances, although they are not expected to be material in nature.

16) CONTINGENCY

The Region has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 1999, and accordingly, no provision has been made in these financial statements for any liability which may result.

17) COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to the basis of presentation adopted in the current year.

FINANCIAL STATEMENTS
Supporting Schedules

REGIONAL MUNICIPALITY OF DURHAM

December 31, 1999

SCHEDULE 1
SCHEDULE OF CONSOLIDATED OPERATIONS
For the year ended December 31, 1999

	Revenue Fund		Capital Fund	Reserves and Reserve Funds	1999 TOTAL
	Budget	Actual	Actual	Actual	Actual
	$	$	$	$	$
SOURCES OF FINANCING					
Requisition on Area Municipalities (including supplementary taxes)	241,633,356	245,851,023	-	-	245,851,023
User Charges					
Water and Sewer	64,737,900	74,211,112	-	-	74,211,112
Other	34,785,895	37,165,330	-	-	37,165,330
Grants					
Government of Canada	-	318,258	1,384,975	-	1,703,233
Province of Ontario	87,812,144	86,852,460	2,898,277	-	89,750,737
Contribution from Developers	-	-	2,780,079	35,480,825	38,260,904
Other	2,276,954	9,095,595	5,308,447	9,617,827	24,021,869
TOTAL FINANCING	431,246,249	453,493,778	12,371,778	45,098,652	510,964,208
EXPENDITURES					
General Government	19,386,265	21,646,170	3,343,435	214,983	25,204,588
Protection to Persons and Property	67,631,800	64,628,332	6,991,411	313,822	71,933,565
Transportation Services	25,535,100	21,736,251	17,822,416	99,681	39,658,348
Environmental Services	86,716,014	78,365,552	42,760,374	64,185	121,190,111
Health Services	23,239,011	17,145,332	560,331	-	17,705,663
Social and Family Services	139,150,588	134,425,885	2,618,643	-	137,044,528
Social Housing	33,164,000	32,090,807	-	-	32,090,807
Planning and Development	3,745,899	4,259,229	124,706	-	4,383,935
TOTAL EXPENDITURES	398,568,677	374,297,558	74,221,316	692,671	449,211,545
EXCESS OF FINANCING OVER EXPENDITURES / (EXPENDITURES OVER FINANCING)	32,677,572	79,196,220	(61,849,538)	44,405,981	61,752,663
APPROPRIATIONS					
Net Appropriations Between Funds	(32,677,572)	(79,196,220)	61,450,217	17,746,003	-
FUND BALANCES, BEGINNING OF YEAR	-	-	24,720,891	220,475,149	245,196,040
FUND BALANCES, END OF YEAR	-	-	24,321,570	282,627,133	306,948,703

SCHEDULE 2
CONTINUITY OF RESERVE FUNDS
For the year ended December 31, 1999

	Development Charges (Schedule 3)	Treatment Plant/ Rate Stabilization		Regional Share Of Non-Residential Development		Durham University Centre
		Sewage	Water Supply	Sewage	Water Supply	
	$	$	$	$	$	$
Balance, Beginning of Year	57,518,434	33,592,606	17,296,258	2,702,085	2,090,613	363,899
Revenue:						
Interest on Investments	3,626,829	1,862,677	808,539	132,969	102,950	29,620
Development Charges	35,480,825	-	-	-	-	-
Contribution from Revenue Fund	-	8,016,102	5,914,692	100,000	100,000	350,000
Other	-	-	-	-	-	-
TOTAL REVENUE	39,107,654	9,878,779	6,723,231	232,969	202,950	379,620
Expenditure						
Contribution to Revenue Fund						
Sewer Operations	2,187,725	410,000	-	-	-	-
Water Operations	4,267,536	-	300,000	-	-	-
Contribution to Capital Fund	19,976,736	-	-	17,700	-	-
TOTAL EXPENDITURE	26,431,997	410,000	300,000	17,700	-	-
Balance, End of Year	70,194,091	43,061,385	23,719,489	2,917,354	2,293,563	743,519

	Industrial Land	Roads Property Acquisition	Workers' Compensation	Hospital Capital	911 Emergency Telephone System	General Levy Stabilization
	$	$	$	$	$	$
Balance, Beginning of Year	687,221	254,566	5,959,986	443,515	54,097	16,655,864
Revenue:						
Interest on Investments	33,818	12,527	318,522	21,825	2,662	667,575
Other	126,893	-	-	-	-	-
Contribution from Revenue Fund	-	-	829,953	-	-	9,812,973
TOTAL REVENUE	160,711	12,527	1,148,475	21,825	2,662	10,480,548
Contribution to Revenue Fund						
General Activities	-	-	-	100,000	-	1,290,000
TOTAL EXPENDITURE	-	-	-	100,000	-	1,290,000
Balance, End of Year	847,932	267,093	7,108,461	365,340	56,759	25,846,412

	Foreign Exchange	York/Durham Sanitary Sewerage	Highway #2	Insurance	Total
	$	$	$	$	$
Balance, Beginning of Year	3,138,024	2,497,074	2,206,340	9,638,723	**155,099,305**
Revenue:					
Interest on Investments	154,314	119,157	111,717	481,653	**8,487,355**
Development Charges	-	-	-	-	**35,480,825**
Contribution from Revenue Fund	-	75,000	100,000	1,309,919	**26,608,639**
Other	7,407	177,200	-	83,997	**395,497**
TOTAL REVENUE	161,721	371,357	211,717	1,875,569	**70,972,316**
Expenditure					
Contribution to Revenue Fund					
General Activities	-	-	728,713	-	**2,118,713**
Sewer Operations	-	-	-	-	**2,597,725**
Water Operations	-	-	-	-	**4,567,536**
Other	-	-	-	692,671	**692,671**
Contribution to Capital Fund	-	121,162	3,739	-	**20,119,337**
TOTAL EXPENDITURE	-	121,162	732,452	692,671	**30,095,982**
Balance, End of Year	3,299,745	2,747,269	1,685,605	10,821,621	**195,975,639**

SCHEDULE 3
CONTINUITY OF DEVELOPMENT CHARGES RESERVE FUNDS
For the year ended December 31, 1999

	Sanitary Sewage $	Water Supply $	Regional Roads $	Waste Disposal $	Administrative Facilities $	Police $	Homes For The Aged $	Development Charge Study $	Total $
Balance, Beginning of Year	9,880,864	31,193,451	10,695,432	3,229,133	1,494,357	1,025,197	-	-	57,518,434
Revenue									
Interest	749,314	1,902,690	667,707	171,475	79,332	55,695	554	63	3,626,829
Development Charges	10,908,975	16,949,541	6,485,828	478,558	220,340	344,711	83,135	9,737	35,480,825
TOTAL REVENUE	11,658,289	18,852,231	7,153,535	650,033	299,672	400,406	83,689	9,800	39,107,654
Expenditure									
Contribution to Revenue Fund									
Sewer Operations	2,187,725	-	-	-	-	-	-	-	2,187,725
Water Operations	-	4,267,536	-	-	-	-	-	-	4,267,536
Contribution to Capital Fund	2,036,442	11,044,903	6,895,391	-	-	-	-	-	19,976,736
TOTAL EXPENDITURE	4,224,167	15,312,439	6,895,391	-	-	-	-	-	26,431,997
Balance, End of Year	17,314,986	34,733,243	10,953,576	3,879,166	1,794,029	1,425,603	83,689	9,800	70,194,091

TRUST FUNDS:

FINANCIAL STATEMENTS
and
AUDITORS' REPORT

REGIONAL MUNICIPALITY OF DURHAM

December 31, 1999

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Deloitte & Touche

Auditors' Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of the
Regional Municipality of Durham

We have audited the balance sheet of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1999 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The trust funds of the Corporation of the Regional Municipality of Durham derive the majority of their receipts in the form of contributions on behalf of the residents of the Homes for the Aged, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of such receipts was limited to the amounts recorded in the records of the trust funds and we were not able to determine whether any adjustments might be necessary to receipts, assets or funds balance at the end of the year.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of trust fund receipts referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1999 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in the Notes to the financial statements.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 28, 2000

Deloitte
Touche
Tohmatsu

TRUST FUNDS
STATEMENT OF CONTINUITY
For The Year Ended December 31, 1999

	Total	Homes for the Aged			Campbell	Social	Miscellaneous
		Residents	Donations	Bequests	Bequest	Services	Donations
	$	$	$	$	$	$	$
Balance, Beginning of Year	2,049,693	853,398	453,509	733,100	795	3,731	13,666
Receipts on behalf of:							
Residents	2,389,546	2,300,942	32,264	56,340	-	-	-
Recipients	73,033	-	-	-	-	34,653	38,380
Interest Earned	86,587	27,967	22,325	35,796	-	106	393
Total Receipts	2,549,166	2,328,909	54,589	92,136	-	34,759	38,773
Expenditures on behalf of:							
Residents	2,572,869	2,543,706	29,163	-	-	-	-
Recipients	76,712	-	-	-	-	34,070	42,642
Total Expenditures	2,649,581	2,543,706	29,163	-	-	34,070	42,642
Balance, End of Year	1,957,784	638,601	478,935	825,236	795	4,420	9,797

BALANCE SHEET
As At December 31, 1999

	Total	Homes for the Aged			Campbell	Social	Miscellaneous
		Residents	Donations	Bequests	Bequest	Services	Donations
	$	$	$	$	$	$	$
Assets							
Cash and Accrued Interest	1,957,784	638,601	478,935	825,236	795	4,420	9,797
Fund Balance	1,957,784	638,601	478,935	825,236	795	4,420	9,797

NOTE TO TRUST FUNDS FINANCIAL STATEMENT - DECEMBER 31, 1999

Significant Accounting Policy

The financial statements have been prepared in accordance with accounting principles generally accepted for Ontario Municipalities as required by the Ministry of Municipal Affairs and Housing, and reflect the following policy as set forth in the Municipal Financial Reporting Handbook.

Basis of Accounting

Receipts and expenditures are reported on the cash basis of accounting with the exception of interest income which is reported on the accrual basis.